

Internal Revenue Service

Department of the Treasury

yellow

Washington, DC 20224

JUL 25 1989

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

Date:

Employer Identification Number: [REDACTED]

Key District: [REDACTED]

Form: 1120

Tax Years: All

Dear Applicant:

This is in further reference to your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

In our letter dated [REDACTED], we issued an initial adverse ruling that you do not qualify for recognition of exemption under section 501(c)(4) of the Code. Our reason for the adverse ruling is that you are not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4). Your primary activities are directed to provide benefits to members and their dependents. In addition, you are serving the private interest of professional fund raisers.

We received your letter dated [REDACTED] protesting our adverse ruling. On [REDACTED], we held a telephone conference with you on the matter.

We have considered the additional information submitted in your letter of [REDACTED] and in the conference. After a careful and complete review of all the information submitted, we find nothing to warrant revision or rescission of our initial adverse ruling of [REDACTED].

Therefore, this is a final adverse ruling on your application for exempt status under section 501(c)(4) of the Code.

You are required to file federal income tax return on Form 1120 for all years.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

[REDACTED]
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If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

A copy of this letter is being sent to your key District Director. Any further questions about filing income tax returns should be addressed to that office.

Sincerely yours,

(signed) [REDACTED]

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 2

✓ cc: [REDACTED]
Attn: EO Group

BEST AVAILABLE
COPY

[REDACTED]
7/1/89

[REDACTED]
7/23/89

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

NO PROTEST RECEIVED
Release copies to District

Person to Contact:

Date: _____

Telephone Number: _____

Refer Reply to: _____

Date:

MAY 04 1989

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that you are a membership organization consisting of sworn members of the _____ and members on disability pension, excluding the _____, unless the latter was a member of the Association in good standing prior to such position.

Your primary activity is to provide financial assistance to members and their dependents. The financial assistance consists of financial aid not to exceed \$_____ for attorney fees, a \$_____ emergency assistance fund to provide relief to any member or dependent suffering from a recent crisis, and scholarships to members and dependents. You also provide \$_____ for each retiring member policeman.

Other forms of benefits provided to members and dependents include the funding of recreational activities such as annual picnics, sport tournaments, and other dinner and dance parties.

You have other activities directed to benefit the people in the community. These activities include the Christmas Food Basket Program, a fund raising program in which you solicit contributions to provide baskets of food for the needy in the community. You also provide funds to support several charitable or community organizations or groups in the area.

You have two types of fund raising activities: the Christmas Food Basket and _____ Ball. The fund raising for the food basket program is conducted through a written agreement with a professional fund raiser in which the latter is compensated with a commission of 25% of gross receipts plus expenses that includes printing, advertising, office rent, telephone, salaries, and fringe benefits.

Another fund raising activity you conduct is called the [REDACTED] in which you also engage the services of a professional fund raiser on a commission basis.

In [REDACTED], you reported gross receipts of \$[REDACTED] on the food basket fund raising activity of which a total of \$[REDACTED] or approximately 62% was paid for commission, payroll and other expenses. You also reported gross receipts of \$[REDACTED] for the [REDACTED] fund raising activity of which \$[REDACTED] or approximately 60% was paid for commission, payroll and other expenses.

Section 501(c)(4) of the Code provides for the exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one which is operated primarily to bring about civic betterment and social improvements.

Rev. Rul. 75-199, 1975-1 C.B. 160, describes an organization that was formed to provide sick benefits to its members and death benefits to the beneficiaries of members. Membership is restricted to individuals of good moral character and health who belong to a particular ethnic group and reside in a stated geographical area. The ruling held that the organization is not exempt under section 501(c)(4) of the Code because the organization is engaged primarily to benefit its members with only minor or incidental benefits to the community.

Rev. Rul. 81-58, 1981-1 C.B. 331, describes an organization composed of officers of a police department in a particular community. The organization conducts a membership benefit program which constitutes its primary activity. The program includes a lump sum payment to each member upon retirement or a lump sum payment to beneficiaries upon the member's death. The benefit program serves as a supplement to the civil service provided by the political subdivision in which the police officers are employed. Also, its primary sources of income are from contributions and amounts raised in fundraising events. The revenue ruling held that the organization is essentially a mutual, self-interest type of organization providing direct economic benefits to members. Although the class of employees

benefited by the organization consists of police officers engaged in the performance of essential and hazardous public service and there is an incidental benefit provided by the organization to the larger community, the fact remains that the primary benefits from the organization are limited to its members. Therefore, the organization is not operated exclusively for the promotion of social welfare within the meaning of section 501(c)(4) of the Code.

Rev. Rul. 87-126, 1987-1 C.B. 150, describes a nonprofit firefighters' association which was established and is maintained by the local government to provide retirement benefits to firefighters. The association's income consists of amounts received from the state and local governments and of investment income on such amounts. The revenue ruling holds that the association qualifies for exemption under section 501(c)(4) of the Code because it provides benefits that are recognized as a legitimate function of the government as evidenced by the government's willingness to fund the association. Also, it is distinguishable (except for the class of individuals receiving benefits) to the organization described in Rev. Rul. 81-58 because of the substantial involvement of the government.

In Consumer-Farmer Milk Cooperative, Inc. v. Commissioner of Internal Revenue, 186 F.2d 68 (2d Cir. 1950), the court denied exemption under section 501(c)(4) of the Code because the organization's purpose is primarily to benefit its members economically and only incidentally to further larger public welfare.

While it appears that you have activities that will further the common good and general welfare of the community, your primary activities are directed to provide benefits to members and their dependents. By operating primarily for the benefit of members and only incidentally for the benefit of the community, you are not operated exclusively for the promotion of social welfare under section 501(c)(4) of the Code. See Consumer-Farmer Milk Cooperative, Inc.

You are analogous to the organizations described in Rev. Ruls. 75-199 and 81-58. An organization like yours is essentially a mutual, self-interest type of organization engaged primarily in providing direct benefits to members. You are distinguishable from the organization described in Rev. Rul. 87-216. Whereas that organization is funded and maintained by a government, and has substantial involvement by such government, you are totally independent from the government but rather relies for financial support from members and receipts from fundraising

[REDACTED]

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events.

In addition, it appears that your fund raising activities are serving the private interest of the professional fund raiser with your arrangement in which the professional fund raiser receives a substantial share of gross receipts as shown above.

Therefore, you do not qualify for exemption under section 501(c)(4) of the Code.

You are required to file federal income tax returns under Form 1120.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers or trustees, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practices requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director in Chicago, Illinois. Thereafter, any questions about your federal income tax status should be addressed to that office.

Sincerely yours,

(Signed) [REDACTED]

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 2

cc: [REDACTED]
Attn: EO Group

[REDACTED] [REDACTED]
4/26/89